

Submission by the B.C. Council of Forest Industries to the Interior Forest Sector Renewal Engagement Process

October 11, 2019

In the Premier's letter to forest industry CEOs in April of this year, he shared an invitation to participate in a collaborative process with industry and stakeholders to confront the challenges facing the forest sector - challenges which are impacting workers and communities across the province. The letter acknowledged the factors underlining the deteriorating business conditions – increasing fibre costs, falling lumber prices, decline of the mountain pine beetle harvest, new habitat protections, and other deferrals reducing access to the timber supply.

We appreciate the recognition that our industry is facing challenges and that it has been resilient, demonstrating the ability to innovate and adapt over time, including demonstrating leadership in reconciliation and environmental sustainability.

Following this letter, the Government of B.C. initiated a formal engagement process on July 15 with the publication of the [Interior Forest Sector Renewal Policy and Program Engagement Discussion Paper](#). The engagement process to date has been in three parts: stakeholder meetings in the Interior, an online feedback form, and an invitation for a five-page submission. The B.C. Council of Forest Industries (COFI) is participating in all three parts of this engagement.

With respect to the [stakeholder meetings](#), COFI and its member companies attended and provided input at 25 of these meetings held throughout the Interior this summer. At these meetings we were able to provide information about the challenges facing the industry, context for current decisions, and collectively discuss ideas for a path forward. Our hope is that the input received at these meetings will be reflected in the "What We Heard" document that we understand government is preparing and that input has formed part of our advice to government.

In addition to these Interior stakeholder meetings, COFI participated in a forest industry association meeting and is a signatory to a joint submission from this group which is being delivered separately to government.

COFI also filled out the [online feedback form](#) through the online portal at EngageBC. COFI's response on this form can also be found [here](#) and answers the six questions posed by government in five policy areas including:

- Forest Tenure and Fibre Supply
- Climate Change and Forest Carbon
- Manufacturing Capacity and Fibre Utilization
- Wood Products Innovation
- Reconciliation with Indigenous Communities

Finally, the Province also invited written submissions that address the government objectives of a globally competitive forest sector, resilient communities and workforce, reconciliation with Indigenous communities, and sustainable forest management.

COFI'S SUBMISSION

Given the page limit requested for written submissions, and considering the myriad of challenges facing the sector, COFI and its member companies prepared a document – [Smart Future: A Path Forward for B.C.'s Forest Products Industry](#), which provides 60 ideas and actions – choices that we think can help build a better future for our industry.

We believe that by working together, these choices will collectively build a more globally competitive forest sector that is a model for the world in product innovation, technological advances, and environmental care. These ideas are categorized under five categories:

- Invest in, and protect, our working forest land base
- Have smart rules that protect the environment and encourage investment
- Strengthen participation of Indigenous peoples and partnerships with communities
- Double down on market and product diversification
- Be the global hub for expertise in low-carbon, green building

Under each of these priorities we suggest a series of specific recommendations. We recognize that some ideas presented here are not new. Some ideas can be implemented by industry, others will require government action, and all will require a collective effort from industry, government, workers, contractors, communities, First Nations, academic institutions, and others.

The [Smart Future](#) document forms the foundation of our input to government on Interior Renewal but also provides suggestions for the industry as a whole that can help the forest sector through the current transition and prepare for opportunities ahead.

SUPPORTING DOCUMENTS FOR POLICY DEVELOPMENT

As government contemplates policy development in the weeks ahead, it will be important to consider the current context. The balance of this submission summarizes information that we believe should be at the forefront as government considers policy changes directed towards the forest industry. COFI has included a number of reports to support our submission to the Interior Forest Sector Renewal Engagement Process including:

- [British Columbia's Forest Industry and the Regional Economies, PwC, March, 2019](#)
- [British Columbians and The Forestry Sector in 2019, Abacus Data](#)
- [British Columbia Interior Forest Sector Competitiveness Study, Forest Economic Advisors \(FEA\), August 2019](#)

The forest sector continues to be foundational to B.C.'s economy

As policy is being developed as part of the Interior Renewal process, it is important to reflect on the critical role that forestry plays in the British Columbia economy as outlined in the study by PwC [British Columbia's Forest industry and the Regional Economies](#) in March 2019. It confirms that the forest industry continues to generate significant jobs and economic activity for the province overall.

In the Interior, forestry is particularly significant, generating one in five jobs in these regions alone: Cariboo (22%), Northeast (20%), and North Coast & Nechako (19%). In the Thompson/Okanagan forestry supports 20,000 jobs, more than agriculture and associated manufacturing and, in the Kootenays, forestry generates 1 in 10 local jobs. Importantly, forestry also has the highest Indigenous employment of any other resource sector in B.C., and partnerships with Indigenous communities, contractors, and businesses continue to grow.

The forest sector makes up one-third of B.C.'s total exports and these exports drive local economies across the province. In terms of economic benefits, the forest industry contributes approximately \$13 billion in GDP and provides about \$4 billion in revenues annually to three levels of government. The importance of this contribution is confirmed in the [2019/2020 provincial budget](#), with forestry projected to make up 45% of natural resource revenues to the province.

The forest sector enjoys strong public support

Given the challenges facing the sector and their impact on communities and workers across the province, COFI engaged Abacus Data to undertake a public opinion survey to gauge public understanding of these challenges, the role forestry plays in B.C.'s economy, and the future of the sector. This survey provides useful context for understanding public priorities as the province considers forest policy changes.

Overall findings in the survey, [British Columbians and The Forestry Sector in 2019](#), are:

- 79% have a favourable view of B.C. producers of lumber and wood products;

- 87% believe that a strong forestry sector is vital for B.C.'s economy; and,
- 80% find that forestry in B.C. is carried out with more concern for the environment today.

British Columbians recognize that B.C. is among the world leaders in sustainable and responsible forest practices (76%) and that building with sustainable B.C. forest products is a better choice than cement or steel in terms of impact on climate change (79%). At the same time, British Columbians are split on whether they see a great future (48%) or a poor future (52%) for the sector. This is not surprising given the number of curtailment and closure announcements in recent months.

Finally, there is a broad desire to see the province do more to support investment in the B.C. forest sector (78%) and people are most enthusiastic about the role of technology, innovation, and promotion of B.C. wood products and building solutions.

The conclusions the researchers draw from this survey are that while there is broad public support for the sector and a solid understanding of the importance of forestry to B.C.'s economy, British Columbians are concerned about the future of the sector and are supportive of the province looking for ways to support investment in the sector going forward.

Ensuring the forest industry can be competitive is key to renewal

The key to supporting a healthy forest sector and attracting new investment is ensuring that the industry can successfully compete in the global marketplace. Today, B.C. has become a high cost producer just at the time we are facing volatile market prices, punitive U.S. tariffs, and increasing global competition.

While we have always had to manage through market and price volatility, we are currently facing something of a “perfect storm” – an array of market and operating challenges, along with a structural shift in the availability and cost of fibre. These competitiveness challenges are highlighted in a recent study by Forest Economic Advisors (FEA), [British Columbia Interior Forest Sector Competitiveness Study](#) (August 2019). The study compares the B.C. industry with other competitor jurisdictions and summarized these challenges in B.C. as follows:

“...three important challenges facing the industry are: (1) declining timber supply and rising log costs; (2) US import taxes; and (3) policy uncertainty.”

The study highlights that the B.C. Interior had the lowest return of any other comparator regions and concludes that *“...there will be a spillover effect on other forest sector participants that rely on the lumber industry (e.g., pulp mills, pellet plants, secondary manufacturers.)”*

Any changes to provincial policy should address these competitiveness challenges. For renewal to take hold, the policy environment must support secure access to fibre at a reasonable cost, a stable, predictable, efficient regulatory regime, and a business climate that puts B.C. on a level playing field

with competing jurisdictions. This will attract the capital that renewal requires to move through the current transition and transform to the industry of the future.

COFI'S RECOMMENDATION

Our objective in this submission is to provide data and analysis that forms the context for policy considerations facing this government. The [PwC](#) report highlights the importance of the forest industry to B.C.'s Interior; the [Abacus Data](#) survey confirms broad public understanding that forestry is vital to B.C.'s economy; and the [FEA](#) report provides benchmark data on B.C.'s competitiveness and what's driving the current crisis in the B.C.'s forest sector.

Finally, in the [Smart Future](#) document, we have tried to identify concrete actions that will help build our next-generation forest industry and help to achieve the stability, predictability, and confidence we all want in British Columbia. These choices can help to achieve government's stated objectives of a globally competitive forest sector, resilient communities and workforce, reconciliation with Indigenous communities, and sustainable forest management.

If there was one policy outcome that we believe is required for success it is to **ensure secure, sustained access to fibre at a reasonable cost**. This is what will drive investment required to reinvigorate and renew our sector. Many of the recommendations in COFI's [Smart Future](#) document address this foundational policy objective.

We look forward to working collaboratively with government, Indigenous groups, communities, employees, academic institutions, and all stakeholders to put these ideas into action. And we appreciate the opportunity to provide input.

About COFI

The B.C. Council of Forest Industries is the voice of the B.C. forest industry. B.C.'s forest industry is adapting, evolving and innovating, and continues to be one of the most significant economic drivers in the province and the largest producer of softwood lumber in Canada.

COFI members produce lumber, pulp and paper, panels and engineered wood products at facilities across the province. All share a commitment to a future based on sustainable forestry and manufacturing practices, innovative product development and employee safety.

On behalf of the B.C. Council of Forest Industries,



Susan Yurkovich
President & CEO